

hud NEWS

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HUD RELEASES FEBRUARY SURVEY OF SECONDARY MARKET PRICES AND YIELDS AND INTEREST RATES FOR HOME LOANS

WASHINGTON – The U.S. Department of Housing and Urban Development today released results of its latest survey of market conditions for fixed rate, long-term, level payment home loans as well as interest rates for home construction funds. The February 1, 2000, survey found that the most frequently quoted contract rate for HUD/FHA Section 203(b) mortgages being sold in the secondary market for immediate delivery was 8.50 percent. Typical prices for 8.50 percent contract interest rate loans produced a national average secondary market yield of 8.56. FHA secondary market yields on the most frequently quoted Section 203(b) contract rate increased just one basis point for the U.S. average.

In the FHA primary mortgage market, the average FHA effective rate for all reported primary market quotes was 8.48 percent. Lenders reported that the most frequent rate being quoted to potential FHA homebuyers for 60 days or more "lock-in" commitments was 8.56 percent with an average of 52 basis points and an effective interest rate of 8.57 percent. Average basis points for the 8.50 percent primary rate were 133 basis points in the West, 6 basis points in the North Central and 0 basis points in the Southeast. None of the other regions quoted the 8.50 percent dominant rate for February 1.

The national average contract rate for commitments on conventional loans for new home loans in the primary mortgage market went up 26 basis points from 7.95 percent in January to 8.21 percent for February. Existing home loans increased 23 basis points from 7.99 percent in January to 8.22 for February.

The proportion of HUD offices reporting an adequate supply of construction funds on February 1 was 100 percent for both FHA and conventional financings. For the trend of builders' plans, in the latest survey, the majority of builders remained in the stable building plan category for each home price class. The proportion on February 1 was 77 percent for low-priced homes, 71 percent for moderate-priced homes, and 77 percent for high-priced homes.

On February 1 the proportion of HUD Field Offices reporting a stable trend in builders' unsold inventory of new homes was 70 percent, while 23 percent noted a declining trend and only 7 percent reported an advancing situation. An advancing trend is indicative of a growing inventory of homes, meaning either over-production and/or slower new home sales. Conversely, a declining inventory of new homes indicates demand would be relatively stronger than supply. One year ago the proportion of offices reporting a stationary trend was 70 percent, a declining trend of 24 percent, and 6 percent reported an advancing trend.

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Date of next release: March 22, 2000

The entire news release and all tables are now available on the WEB:

<http://www.hud.gov/fha/comp/rpts/fharpts.html>